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THE STAKE OF THE UPPER MIDWEST IN AGRICULTURAL EXPORTS

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Remarks by Nathan M. Koffsky, Director, Agricultural Economics, U.S. Department of Agriculture, Washington, D. C., before the Upper Midwest Conference on Agricultural Export Trade, Capp Towers Hotel, Minneapolis, Minnesota, May 18, 1966.

I have two main objectives. First, to lay out factually the dimensions and trends describing our agricultural exports. Second, to translate what they mean to the Upper Midwest.

Perhaps the title "The Stake of the Upper Midwest in Agricultural Exports" is too narrow in its implications. The nation as a whole has a vital stake in expanding agricultural exports. I am referring to one of our most difficult national economic problems -- the deficit in our balance of payments. There is a sheer necessity to expand exports to correct that imbalance. Otherwise, it stands as a threat to maintaining the rapid rate of economic growth and prosperity this Nation has had in recent years.

To my mind, there has not been appropriate recognition of the important contribution that agricultural exports make to our balance of payments. Farm exports represent about one-fourth of all our merchandise exports. They have been rising quite rapidly the past 5-6 years. If agricultural exports had not risen but had held stable, the deficit in our balance of payments last year would have been twice as big as it was and the threat to our economic stability that much greater.

To the agricultural sector itself, exports are becoming of increasing importance. About 85 percent of our farms production is consumed domestically and the rest goes abroad. But with a high national income and most people in the U.S. eating just about what they want to eat, the domestic market for farm products expands slowly, about in line with the increase in population. The demand for food rises much more rapidly in the rest of the world. Thus, agricultural exports have become the fastest growing point in the outlets available to our producers. Exports of agricultural products by the United States in the current fiscal year, 1965-66, are estimated to be -- by a considerable margin -- the highest in history. The estimate of about \$6½ billion or even more for this fiscal year exceeds export records set in each of the two previous years by at least \$½ billion. Export prospects have improved materially since last fall, due primarily to a step-up in exports of feed grains, wheat, oilseeds, and oilseed products -- all commodities important to the Upper Midwest.

Now I turn briefly to some slides which describe the total agricultural export situation.

Chart 1 -- Exports of Farm Products
ERS 822-66(1)

The value of farm products exported by the United States in 1964-65 came to 6.1 billion dollars -- more than double the value sent abroad in 1953-54 -- the year before P.L. 480 shipments were inaugurated.

Farm products are exported from the United States under 3 general sales methods: (1) commercial exports or dollar sales without export payments; (2) commercial exports with export payments; and (3) exports under specified Government-financed programs.

Commercial exports without export payment assistance refer to dollar sales of commodities which are fully competitive in world markets, such as soybeans and corn.

Commercial exports with export payment assistance refer to exports of certain U.S. price-supported commodities which will not move in international trade without some form of compensation. This compensation is provided to the exporter who purchases at the higher domestic price and sells in foreign markets at the lower world price. The Government assistance to the exporter is the difference between the higher domestic price and the lower world price either with cash, payments-in-kind, or sales of Government stock below domestic prices. Wheat and cotton are examples of commodities requiring export assistance. With the Food and Agriculture Act of 1965, price support levels for these commodities beginning with the 1966 crop will be at about world price levels and export payments required will be sharply reduced.

Exports under specified Government programs, often referred to as Food-for-Peace or concessional sales, include (1) sales for foreign currency, (2) donations, (3) barter, and (4) long-term supply and dollar credit sales.

In 1964-65, commercial exports were slightly less than the 4.5 billion dollars of the preceding year. The decline took place in commercial exports with export payments, principally shipments of wheat and cotton. The increase in commercial exports without export payments in 1964-65 occurred primarily in exports of oilseeds and products.

In the first 9 months of the 1966 fiscal year, agricultural exports have run 12 percent above the 1965 level. In the 7-year period since 1959, total agricultural exports have risen some 3 billion dollars. Most of this increase has come in commercial exports which rose from 2½ billion dollars in 1959 to about 5 billion dollars in the current year.

Chart 2 -- U.S. Agricultural Exports by Commodity Groups, 1965
ERS 2906X-65(7)

In fiscal year 1965 about one-fourth of the agricultural products exported by the United States were shipped under Government-financed programs, primarily Public Law 480. Exports under such programs amounted to \$1.7 billion.

Wheat and wheat flour shipments accounted for most of the exports under Government programs. In the year ending June 30, 1965, wheat and flour made up 60 percent of the Government program exports. Of the 1.2 billion dollars worth of wheat and wheat flour exported, 1 billion dollars worth was in some form of aid to the developing countries. Five years ago, the ratio of Government-financed exports of wheat and flour was about the same, but the quantity of exports was then almost one-third less.

The next two bars below wheat and wheat flour show exports of oilseeds and feed grains. In contrast to wheat, most of the exports of these commodities are commercial sales. Here in the Upper Midwest, soybean production has increased sharply, and is the principal oilseed produced. In 1964-65, its export value was \$600 million, while exports of soybean oil were valued at \$175 million. Moreover, in recent years there has been a rapid growth in exports of protein meal which totaled another \$175 million in fiscal year 1965. Combined, soybeans and soybean products totaled nearly \$1 billion -- accounting for most of the exports of oilseeds and products shown in this chart. Feed grains were valued at \$940 million. In fiscal 1965, the United States exported almost 3 billion dollars worth of these commodities, two-thirds higher than the export value just 5 years ago.

Exports of wheat, feed grains, and soybeans will expand in the coming years. Food aid to developing nations may grow. And economic growth abroad is rapidly increasing commercial demand. The Upper Midwest can look forward to a strong uptrend in total exports, particularly to growing demands for our wheat, soybeans, and feed grains.

Chart 3 -- Exports by Countries
ERS 4206-65(1)

Fifteen countries received almost three-fourths of total U.S. exports of farm products in fiscal year 1964-65. Japan was the largest outlet, and purchased 750 million dollars worth of agricultural products

from the U.S. Japan is now the largest cash buyer of farm products from the United States. This fiscal year, 1965-66, agricultural exports to Japan will approach 1 billion dollars, almost one-half billion above the next ranking country -- India. India received over 500 million dollars worth of farm products in 1964-65, but most of this was exported under Government-financed programs. Japan's purchases also exceed by more than a half billion both the Netherlands and Canada -- the second and third ranking countries in terms of cash purchases.

Exports to Japan have increased sharply in the past decade. In 1960, they totaled about 500 million dollars and this year about 1 billion dollars. The rank of the countries in this chart has changed some in the last 5 years. In 1960, Japan was second to the United Kingdom as the major taker of U.S. agricultural exports. Now the United Kingdom ranks fifth. India moved from fourth to second, and the Netherlands advanced from sixth to third place.

In this list of the top 15 countries receiving U.S. agricultural exports are the 6 member countries of the European Economic Community (EEC). The EEC countries received almost one-fourth of our total agricultural exports in 1964-65, and almost a third of the dollar sales, about the same share as 5 years ago. The value of our farm products exported to the EEC has increased by over \$200 million since 1960.

Also, in this array, India, Pakistan, UAR, Yugoslavia, Brazil, and Korea are countries where most of the shipments are P.L. 480. Spain is an illustration of a nation which has made the transition from P.L. 480 to a commercial market.

Chart 4--U.S. Exports as Percent of Sales
ERS 3836-65(7)

This chart illustrates the critical importance of export markets to producers of major farm products. It shows the proportion of the total market represented by exports.

Of the 10 major U.S. agricultural products exported in 1965, 4 commodities -- wheat, soybeans, corn, and barley -- are of special interest to producers of the Upper Midwest. Two of these products -- wheat and soybeans -- are right up at the top of the list. As this chart shows, over half of all sales of wheat and soybeans were sold to foreign markets in 1965. Corn and barley are farther down the list, but a sizable share was also sold through export channels. Compared with recent years, a larger proportion of our soybean and corn crops are moving abroad.

Turning now specifically to this region of the Upper Midwest, what do these magnitudes and trends mean? I have taken the Upper Midwest to mean 6 States primarily -- Minnesota, Iowa, Wisconsin on the east, and North Dakota, South Dakota and Montana on the west. There have been other States arrangements before but the presence here of representatives from those States is enough to formally bring them into membership in the Upper Midwest.

These 6 States -- a highly productive group -- account for roughly 20 percent of all farm products moving to market. Each one derives more of its total income from agriculture than the average for the U.S. In the case of North Dakota, farm income is 7 times as important to the economy of the State as compared with the U.S. average. And when the industries and services associated with agriculture are considered, what happens to agriculture is even more important in determining the economic well-being of this group of States.

Five major commodities -- wheat, soybeans, feed grains, meat animals and dairy products -- account for \$8 out of every \$10 received by farmers in the Upper Midwest from the sale of their products. You will note that the first 3 of these led the list of farm commodities exported.

Chart 5 -- Upper Midwest, Cash Receipts from Selected Products
Wheat, Soybeans, Feed Grains ERS-4441-66(4)

Cash receipts received by Upper Midwest farmers from all farm products totaled \$8.2 billion in 1965. Wheat, feed grains, and soybeans accounted for 1-3/4 billion dollars. The value of exports of these commodities has more than doubled since 1959 as shown in this chart. In 1959, the export value of wheat and flour, feed grains, and soybeans was slightly less than one-third of total cash receipts from these commodities and by 1965 had increased to approximately half.

The increased world demand for grain and soybeans is important to the Upper Midwest. Industrial countries such as Japan and those of Western Europe are requiring larger quantities of feed grains for increasing livestock production as a result of higher living standards. Increasing aid to the hungry nations of the world such as India and Pakistan has further added to the demand for grain and soybeans. The Upper Midwest will play an increasing role in helping meet these expanding demands, because it can effectively produce these commodities.

Chart 6 -- Upper Midwest Exports of Agricultural Products by States
ERS 4444-66(4)

Exports of agricultural commodities credited to the Upper Midwest States have risen twice as fast as for the United States as a whole. The value of exports from the Upper Midwest in 1965-66 is estimated to be \$1.2 billion, up 92 percent since 1959-60. For the United States as a whole, agricultural exports are estimated at \$6.5 billion--up 45 percent from 1959-60.

The Upper Midwest's share of national exports was 14 percent in 1959-60 while in 1965-66, it is expected to be 19 percent.

Each of the States in the Upper Midwest shared in this increase. North Dakota, Montana, and South Dakota each showed an increase of over 100 percent in the value of exports. Iowa, which accounts for the largest share, increased its exports by 90 percent during the 6-year period. Minnesota rose 73 percent, while Wisconsin, a heavy dairy producer, lagged with an increase of 33 percent.

Chart 7 -- Exports of Wheat, Soybeans and Feed Grains
Through the Great Lakes Ports ERS 4443-66(4)

The opening of the St. Lawrence Seaway in 1959 represented a major development in improved facilities for shipping our agricultural commodities to the major markets of Europe. For the first time the Lake ports had access to ocean-going vessels. For the Upper Midwest, this was the beginning of a new trade relationship with the world at large. Prior to 1959, direct trade with world markets from the Upper Great Lakes ports was almost non-existent. Since the opening of the Seaway, the volume of grain -- notably wheat, soybeans, and corn -- has increased rapidly. In 1960-61, about 140 million bushels of grain moved through Great Lakes ports. In the short span of four years, the volume had increased to approximately 250 million bushels -- an increase of 79 percent.

The Great Lakes ports are accounting for a growing share of the nation's grain and soybean exports. In 1960-61, 12 percent of the grain and soybeans exported from all ports in the United States originated at Great Lakes ports. In 1964-65, their share of a growing national volume of exports had increased to 16 percent. As further improvements are made to Lake port and lock facilities, the volume of grain exports should continue to increase.

Chart 8 -- Upper Midwest and United States: Indexes of Total
Foreign Trade by Customs Districts ERS 4442-66(4)

The Bureau of the Census reports exports and imports of the United States by customs districts as well as for the nation as a whole.

Although the Upper Midwest accounts for a relatively small share of actual imports and exports of the United States (about 5 percent), the rate of increase has been more rapid than for the United States. Direct trade between the 5 customs districts in the Upper Midwest and foreign countries since the end of World War II has increased over 200 percent, compared to an overall increase in total foreign trade of 100 percent for the United States. Of course, the total contribution to foreign trade by the Upper Midwest is considerably greater than the movement through the customs districts indicate, since the bulk of manufactures for export are shipped to major ocean ports that can accommodate the largest vessels.

Annual exports of merchandise by customs districts in the Upper Midwest averaged \$216 million for the 5-year period 1946-50, and increased to an average of \$761 million annually for the 1961-65 period.

Imports of the Upper Midwest have shown a trend similar to that of exports. They also represented a small average share of the nation's total (about 5 percent) during the 1961-65 period. However, average imports to the Upper Midwest for the years 1961-65 were three times their average annual value for the post-war period 1946-50.

The share of foreign trade credited to agriculture is of prime importance here in the Upper Midwest. Here 19 percent of agricultural exports originate in only 6 States of the Continental United States. A large share of this volume moves out through the customs districts in the Upper Midwest particularly Duluth-Superior. Thus, the Upper Midwest has a great opportunity to expand agricultural exports through the Seaway to world markets.

Conclusions

Important contributions that the Upper Midwest States are expected to make to our national exports during the current fiscal year are summarized in the attached table. These projections show for each State the export share for each commodity.

The six States are expected to account for nearly one-fifth of total U.S. agricultural exports -- roughly 1½ billion dollars. Iowa accounts for over 400 million dollars and Minnesota and North Dakota about 250 million dollars each.

The Upper Midwest is fortunate in that it is well equipped both in resources and experience to efficiently produce the commodities for which world demand -- both commercial and concessional -- is expanding fast. In the current fiscal year, which ends June 30, the Upper Midwest is expected to account for approximately one-fourth of the U.S. exports of wheat and flour, feed grains, and soybeans.

Further, substantial increases are in prospect for agricultural exports in the next several years. Many of the same forces contributing to expansion in recent past years will continue -- demand expansion in developed countries and Food-for-Peace programs. If the trends of recent years continue, by 1970 U.S. exports of wheat and flour may average more than 1 billion bushels yearly -- 15 percent above the current fiscal year estimate. U.S. exports of feed grains may approach 40 million short tons -- over two-fifths larger than we expect to export in the current fiscal year. U.S. exports of soybeans may reach 375 million bushels -- nearly half again as much as estimated for the current fiscal year.

It is clear that the Upper Midwest will share generously in these future export gains.

PROJECTED VALUES OF EXPORT SHARES OF AGRICULTURAL COMMODITIES, SELECTED UPPER MIDWEST STATES, FISCAL YEAR 1965-66 1/

State and type of export	Wheat	Wheat flour	Total feed grains 2/	Soy-beans	Flax-seed	Soy-bean oil	Protein meal	Tobacco unmanufactured	Fruits, nuts, and pre-parations	Vegetables and pre-parations	Dairy products	Meats and products excluding poultry	Hides and skins	Poultry products	Lard and tallow (edible and inedible)	Other	Total	
-- Million dollars --																		
Iowa.....	1.3	3.2	169.2	101.6	0.2	27.0	30.7	---	0.3	0.1	10.4	16.3	11.4	1.2	31.5	25.3	429.7	
Government Programs.....	0.9	2.8	19.3	---	14.9	---	---	---	0.3	0.1	5.9	---	---	1.3	1.0	46.1		
Commercial.....	0.4	0.4	149.9	101.6	0.2	12.1	30.7	---	0.3	0.1	4.5	16.3	11.4	1.2	30.2	24.3	383.6	
Minnesota.....	21.8	14.6	78.8	47.7	4.9	8.9	8.7	---	0.3	3.1	25.0	6.8	5.6	1.9	13.0	16.9	258.0	
Government Programs.....	15.3	12.6	9.0	---	4.9	4.0	8.7	---	0.3	3.1	14.2	---	---	0.5	1.5	58.0		
Commercial.....	6.5	2.0	69.8	47.7	4.9	4.0	3.1	10.8	6.8	5.6	1.9	12.5	15.4	200.0				
North Dakota.....	172.8	---	34.9	3.5	15.8	---	---	---	---	2.1	1.3	0.3	0.4	0.1	0.6	15.0	246.8	
Government Programs.....	121.2	---	4.0	---	---	---	---	---	---	0.7	---	---	---	---	2.2	128.1		
Commercial.....	51.6	---	30.9	3.5	15.8	---	---	---	2.1	0.6	0.3	0.4	0.1	0.6	12.5	118.7		
Montana.....	98.5	1.7	14.2	---	0.2	---	---	---	---	1.5	1.8	0.4	0.4	---	0.8	9.8	129.3	
Government Programs.....	69.1	1.5	1.6	---	---	0.2	---	---	---	1.0	---	---	---	---	1.6	74.8		
Commercial.....	29.4	0.2	12.6	---	0.2	---	---	---	1.5	0.8	0.4	0.4	0.4	0.8	8.2	54.5		
South Dakota.....	32.8	---	22.0	4.8	6.4	---	---	---	---	0.1	2.0	2.6	1.6	0.1	5.1	6.1	86.6	
Government Programs.....	25.1	---	2.5	---	6.4	---	---	---	---	1.1	---	---	---	0.2	0.6	29.5		
Commercial.....	10.7	---	19.5	4.8	6.4	---	---	---	0.1	0.9	2.6	1.6	0.1	4.9	5.5	57.1		
Wisconsin.....	1.3	---	15.5	2.1	---	---	---	4.2	0.6	4.9	25.5	4.3	5.3	0.6	7.9	6.1	78.3	
Government Programs.....	0.9	---	1.8	---	2.1	---	---	0.7	---	14.5	---	14.5	---	0.3	0.7	18.9		
Commercial.....	0.4	---	13.7	2.1	---	---	---	3.5	0.6	4.9	11.0	4.3	5.3	0.6	7.6	5.4	59.4	
UPPER MIDWEST.....	331.5	19.5	334.6	159.7	27.5	35.9	39.4	4.2	1.2	11.8	66.0	30.7	24.7	3.9	58.9	79.2	3/1,228.7	
Government Programs.....	232.5	16.9	38.2	---	19.8	---	0.7	---	0.7	3.5	1.2	28.6	30.7	24.7	3.9	56.6	71.6	3/353.4
Commercial.....	99.0	2.6	296.4	159.7	27.5	16.1	39.4	3.5	1.2	11.8	28.6	30.7	24.7	3.9	56.6	71.6	3/873.3	
UNITED STATES.....	1,279.8	140.0	1,291.5	690.9	28.5	161.0	217.5	422.5	297.3	147.8	164.7	107.5	109.0	72.0	203.0	1,204.4	3/6,537.4	
GOVERNMENT PROGRAMS.....	897.7	121.2	147.7	---	88.7	---	71.5	---	0.4	93.4	---	---	---	8.5	242.4			
COMMERCIAL.....	382.1	18.8	1,143.8	690.9	28.5	72.3	217.5	351.0	297.3	147.4	71.3	107.5	109.0	72.0	194.5	962.0	3/1,671.5	
2/ Includes corn, grain sorghums, barley and oats.																		
3/ Estimated.																		

1/ Projected values of U.S. agricultural export shares were derived from each of the State's contribution to national output or sales of individual commodities as determined from the State's agricultural production and/or sales in 1965. The shares reflect the common stake of the States in estimated U.S. agricultural exports for the current fiscal year ending June 30, 1966. A complete discussion of the background, premises, and procedures used for determining the export shares is given in "U.S. Agricultural Export Shares By Regions and States, Fiscal Year 1963-64," by Robert L. Tontz and Alex D. Angelidis, ERS-Foreign-106 (December, 1964).

2/ Includes corn, grain sorghums, barley and oats.

3/ Estimated.

EDITORS: Glossy prints of charts are available on request to the Photography Division, Office of Information, U. S. Department of Agriculture, Washington, D. C. 20250. Please order by number, as shown in text, and please use your Zipcode.

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